



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

PERFORMANCE AUDIT

# *Montana Public Vehicle Fueling Program*

*Department of Administration  
Department of Transportation*

JUNE 2010

LEGISLATIVE AUDIT  
DIVISION

10P-02

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June 2010

The Legislative Audit Committee  
of the Montana State Legislature:

This is our performance audit of the Montana Public Vehicle Fueling program within the Department of Administration. The fueling program relies on use of fuel purchasing cards and bulk fuel tanks to meet the fuel needs of the state's fleet. In addition, since the Department of Transportation operates the state's Motor Pool fleet, a portion of the audit included use of fuel purchasing cards for the Motor Pool.

This report provides the legislature the results of our review of the state's vehicle fueling program including use of fuel purchasing cards and bulk fuel tanks. The report also includes recommendations aimed at strengthening policies and controls over use of fuel purchasing cards and bulk fuel tanks by incorporating industry best practices into existing fuel management.

We wish to express our appreciation to agency personnel for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor



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## REPORT SUMMARY

### Montana Public Vehicle Fueling Program

To further limit questionable purchases and improper use, the Department of Administration and the Department of Transportation should establish policies and provide training over the use of more than 8,400 fuel cards and the distribution of fuel.

### Introduction

The Department of Administration (DOA) manages the Montana Public Vehicle Fueling Program, which was created to privatize fleet fueling, simplify accounting fuel transaction procedures, achieve greater control over fuel expenditures, and automatically exempt applicable federal taxes at the point of sale. Fuel cards are used to purchase fuel and vehicle-related maintenance. The state is currently under contract with two fuel card vendors. One vendor is used primarily for agency-owned vehicles and the second vendor is used by the Department of Transportation (MDT) for fuel cards associated with their Equipment Program and Motor Pool vehicles.

#### **Executive Branch Gasoline and Diesel Expenditures and Number of Fuel Cards**

Fiscal Year 2009	Fuel Cards (Sept. 2009)
\$13,292,725	8,436

**Source: Compiled by the Legislative  
Audit Division from SABHRS  
and fuel card vendor records.**

### Audit Findings

Our first objective was to determine if DOA established formal controls over fuel cards and if controls meet industry best practices. We reviewed fuel card practices at a sample of six agencies and found current procedures could be strengthened to align with industry standards. DOA has not created a statewide fuel card policy, which has resulted in a lack of guidance and less than effective controls used by agencies. In addition, we found questionable purchases not related to fuel or vehicle maintenance, fuel cards with limits that are too high, nonutilization of pertinent card controls, active cards not being used, and cards being used with personal vehicles while conducting state business. We also found employees are purchasing premium grade fuel, which leads to higher costs for the state.

Our second objective was to examine controls over fuel purchasing cards used in the MDT's Motor Pool operations. Audit work found improvements in oversight are needed. MDT has created two separate policies for their Motor Pool's agency-leased

vehicles and daily-use vehicles. These policies are not up-to-date, are inconsistent, and are not enforced. We also found MDT is not utilizing some vendor-offered card controls that could improve card use and transparency. Finally, the current fuel card transaction and invoice review process conducted by MDT personnel could be improved. Transaction analysis found purchases that appear to be questionable. Furthermore, agencies that lease Motor Pool vehicles do not have access to transaction data to review what their employees are purchasing with the MDT fuel cards.

Our final objective was to determine if DOA established controls over the physical security of bulk fuel tanks and the monitoring of fuel tank transactions. DOA has not created a statewide bulk fuel tank policy. A review of a sample of bulk tanks within five sampled agencies found physical controls and the monitoring of tank use varied both within and among the agencies.

### **Audit Recommendations**

Audit recommendations address the implementation of a statewide fuel card policy and bulk fuel tank policy by DOA, and the improvement of existing MDT fuel card policies and card controls. The following recommendations were made to DOA:

- ◆ Establish statewide fuel card policy that incorporates industry best practices.
- ◆ Periodically educate state agencies relative to fuel card use and controls.
- ◆ Establish policy that addresses purchases of regular and premium grade fuels.
- ◆ Strengthen controls over bulk fuel tank access and use by establishing policy that addresses access, security, records management, and transaction review.

The following recommendations were made to the Department of Transportation:

- ◆ Adopt, clarify, and enforce the Motor Pool agency-leased and daily-use vehicle policies pertaining to fuel card use.
- ◆ Strengthen fuel purchasing card controls by using unique personal identification numbers, adopting additional vendor-offered card controls, and regularly reviewing and deactivating unused cards.
- ◆ Ensure proper reconciliation of fuel card purchases.
- ◆ Strengthen controls over nonfuel purchases by updating the daily-use vehicle log trip tickets, reviewing fuel card vendor transaction data, and uploading nonfuel purchases on the Equipment Vehicle Maintenance System.

# Chapter I – Introduction

## **Introduction**

As state employees use public vehicles, they must have a way to purchase fuel. The Department of Administration (DOA) manages the Montana Public Vehicle Fueling Program (program). In order to meet the fuel needs of the state's fleet, DOA contracts with vendors to supply fuel purchasing cards and to fill bulk fuel tanks owned and operated by the state. DOA has statutory authority over state procurement and is responsible for adopting rules governing the procurement and disposal of any and all supplies and services purchased by the state.

Controls over fuel purchasing cards was presented as an area for future performance audit work during a recent performance audit of State Vehicle Fleet Management (09P-04). As a result, the Legislative Audit Committee prioritized a performance audit to examine management of the state's program. The audit included examining DOA's overall management of the fueling program. In addition, since the Department of Transportation (MDT) operates a large scale Motor Pool fleet, our audit included controls over fuel cards used during Motor Pool operations. This report presents the results of our audit work. Recommendations for strengthening controls over the state's program are made to DOA and MDT.

## **Audit Scope**

Audit scope focused on DOA's overall management of the program, including fuel cards and bulk fuel tanks. This included DOA's contracting responsibilities with fuel card vendors, establishing policies and controls for agencies to follow when using fuel cards or bulk tanks and whether established controls meet industry best practices. We also tested agency adherence to those policies and controls. Audit scope also examined MDT's management of fuel cards associated with Motor Pool operations. Since MDT is in a unique position of dealing with multiple agencies using MDT-assigned fuel cards, a portion of this audit focused specifically on MDT established policies and controls.

We examined fuel cards transactions for fiscal year 2009, bulk fuel tank records for fiscal year 2010 and agency practices for fiscal years 2009 and 2010.

## **Agencies Reviewed**

We selected six executive branch agencies for review relative to fuel card use. Agencies were selected to obtain a cross-section of agencies with varying levels of fuel card use, transaction amounts and management efforts as identified during audit planning. Agencies selected for review were:

- ◆ Department of Agriculture (DofAg)
- ◆ Department of Corrections (DOC)
- ◆ Department of Justice (DOJ)
- ◆ Department of Livestock (DOL)
- ◆ Department of Natural Resources and Conservation (DNRC)
- ◆ Department of Transportation, Motor Pool operations

In addition, we also conducted audit work examining controls over bulk fuel tanks. Agencies selected for review were:

- ◆ Department of Corrections
- ◆ Department of Fish, Wildlife and Parks (FWP)
- ◆ Department of Natural Resources and Conservation
- ◆ Department of Public Health and Human Services (DPHHS)
- ◆ Department of Transportation

We also worked with DOA, particularly staff within the General Services Division. This division is responsible for the program and procurement of services.

## **Audit Objectives**

To examine management of the state's fueling program, we developed three objectives:

1. Determine if DOA established formal controls over fuel purchasing cards and if controls meet industry best practices.
2. Examine controls over fuel purchasing cards used in MDT's Motor Pool operations.
3. Determine if DOA established controls over the physical security of bulk fuel tanks and the monitoring of fuel tank transactions.

## **Audit Methodologies**

To address these objectives, we performed the following audit methodologies:

- ◆ Interviewed accounting/purchasing personnel from DofAg, DOC, DOJ, DOL, DNRC, and MDT to evaluate their fuel card invoice review and approval process.
- ◆ Interviewed DOA procurement staff regarding the program.
- ◆ Reviewed and analyzed fuel card transaction data for fiscal year 2009 for all six sampled agencies to assess spending patterns and identify unusual transactions.
- ◆ Reviewed fuel card records maintained by sampled agencies.

- ♦ Interviewed MDT staff in both the Motor Pool and Maintenance Division about their controls over fuel cards.
- ♦ Reviewed MCAs, ARMs, and MOMs relating to the use of purchasing cards.
- ♦ Reviewed agency fuel card policies and procedures.
- ♦ Researched fuel card policies, procedures, and controls used by other states.
- ♦ Researched policies, procedures, and controls used by the federal government, including the General Services Administration and the Department of Agriculture.
- ♦ Reviewed DOA's contracting procedures with vendors and reviewed RFPs and contracts.
- ♦ Interviewed personnel from DOC, FWP, DNRC, DPHHS, and MDT, to assess their internal controls over bulk fuel tanks.
- ♦ Visited a sample of locations with bulk fuel tanks in order to review physical controls and examine related records.
- ♦ Reviewed agency bulk tank controls policies and procedures.

## **Review of Fuel Card Transactions**

The state currently contracts with two fuel card vendors. We reviewed all of the fiscal year 2009 transactions that occurred through both fuel card vendors. We analyzed nearly 54,000 fuel cards transactions relating to Motor Pool operations and another 58,000 transactions by the remaining five agencies in our sample.

## **Areas for Further Study**

During the audit we identified an area we believe warrants consideration for future performance audit work.

## **Controls Over Fuel Purchasing Cards at the Montana University System**

Based on the findings, conclusions and recommendations issued in this audit, an additional fuel card audit within the Montana University System (MUS) may be warranted. Between fiscal years 2007 through 2009, MUS spent over \$3 million on fuel and as of September 2009 MUS had a total of 695 fuel cards. Audit work could examine whether there are adequate controls over the use of fuel cards.

## **Report Organization**

The remainder of this report is organized into four chapters. Chapter II provides background including discussion of the program, the role of DOA and general information about contracted services DOA procures in order to meet the fuel needs

of the state. The chapter also includes an overview of the components of an effective system of controls over fuel cards.

Chapter III presents our findings and recommendations relative to improving effectiveness of the program, including the need for policy and strengthening controls over fuel purchasing cards. Chapter IV presents findings and recommendations related to MDT's Motor Pool fuel cards and includes recommendations for improving the department's current controls. Chapter V addresses findings related to security and management over bulk fuel tanks.

## Chapter II – Background

### Introduction

Between fiscal years 2007 through 2009, the state spent \$43.5 million for the purchase of gasoline and diesel fuels with most of these transactions taking place via fuel purchasing cards, which are used at commercial fueling stations. The following table outlines total expenditures for the executive and judicial branches.

Table 1 <u>State Government Gasoline and Diesel Expenditures</u> (Fiscal Years 2007 through 2009)					
Branch	FY 2007	FY 2008	FY 2009	Three Year Total	Annual Average
Executive	\$13,054,829	\$17,003,235	\$13,292,725	\$43,350,789	\$14,450,263
Judicial	\$41,729	\$52,709	\$51,354	\$145,792	\$48,597
<b>Totals</b>	<b>\$13,096,558</b>	<b>\$17,055,944</b>	<b>\$13,344,079</b>	<b>\$43,496,581</b>	<b>\$14,498.860</b>
<b>Source: Compiled by the Legislative Audit Division from SABHRS records.</b>					

As shown, the executive branch accounts for the vast majority of the state's total fuel bill with agencies having incurred 99.7 percent of these expenditures. Fuel is purchased through commercial fueling sites. In addition, six state agencies maintain bulk fuel tanks to meet the fuel needs of their fleets. This chapter presents background information about the state's Montana Public Vehicle Fueling Program (program), Department of Administration's (DOA) role with the fueling program, and use of contracted vendors to provide fuel for the state's fleet and bulk fuel tanks.

### Public Vehicle Fueling Program

In an effort to get out of the costly fuel dispensing business and evolve into an integrated commercial/public fueling network, the governor of Montana issued an Executive Order creating the program in November 1992. The fueling program was created within DOA due to their statutory authority in §18-4-221(1), MCA, which states in part, "... the department (DOA) shall adopt rules... governing the procurement and disposal of any and all supplies and services to be procured by the state." In addition, §18-4-221(2)(a), MCA, states the department "shall procure or supervise the procurement of all supplies and services needed by the state."

In response to the Executive Order, DOA implemented the program within the General Services Division. The main goals of the fueling program include:

- ♦ Privatizing fleet fueling
- ♦ Simplifying and automating accounting procedures associated with processing fuel transactions
- ♦ Achieving greater control over fuel expenditures
- ♦ Automatically exempting applicable federal taxes at the point of sale

## **Responsibilities and Funding**

Day-to-day responsibility for the program resides within the State Procurement Bureau. The bureau operates two separate purchasing card programs; one for general purchases which uses a major credit card vendor, and another specific to fuel and vehicle maintenance-related purchases. DOA staff performs all contracting duties with fuel card vendors and bulk fuel distributors including developing requests for proposals (RFP), conducting negotiations, entering into contracts and performing liaison duties with the contracted vendors. In addition, program staff work with other agencies to assist with general administration and use of fuel cards. Typical interaction includes issuing fuel cards to agencies, ensuring agencies use fuel cards appropriately, and consulting with agency personnel to assist with various aspects of fuel card assignment and use.

The program is assigned one full-time employee to manage the program in addition to two other procurement programs. The department's program is funded via a percentage assessed on all fuel card transactions. The current allocation is 0.55 or 0.60 percent which generates around \$100,000 annually. These funds pay for the administration of the program, with unused portions reverting to the General Fund.

## **Fuel Card Vendors**

Fuel purchasing card vendors offer services to clients allowing them to purchase fuel and vehicle-related products and services (i.e., minor repairs, windshield wipers, oil, repair or replacement of a flat tire, preventative maintenance, etc.). According to vendor and DOA personnel, vendors issue cards, retrieve transaction data, issue monthly invoices and supply customer service and fraud protection as part of their services. State agencies have access to the vendors' databases to analyze transaction data, request information, cancel or request cards, set card transaction parameters and change card personal identification numbers (PIN). Vendors also provide a monthly electronic file that details all transaction data, which can then be uploaded into the agencies' fleet management systems. In addition, vendors offer a fraud security notification system as part of their services. This system monitors and identifies suspect fuel card transactions. According to the contracts, the system protects the state against unauthorized or irregular card use. Part of audit work was to determine if DOA was

satisfied with the amount of fraud/loss monitoring the vendors offer. Interviews with DOA personnel found they were satisfied and did not have any issues relating to fuel card fraud monitoring conducted by the vendors.

Currently, the state has separate contracts with two fuel card vendors: Comdata and Wright Express (WEX). In 1999, the state contracted with WEX to supply fuel purchasing cards for all vehicles statewide. Under §18-4-313, MCA, a contract for supplies or services may not be made for a period of more than seven years. As a result, DOA issued a new RFP for a fuel card vendor in 2006, which Comdata was awarded.

After concerns were raised by the Department of Transportation (MDT), the state decided to issue a second contract to WEX under the same RFP to be used by MDT for their Equipment program and Motor Pool fleet. MDT's concerns related to the use of a PIN when a purchase was made. In 2006, Comdata did not require the user to enter their PIN except when at level-3 merchants. (Level-3 data allows the vendor to collect valuable information such as vehicle license number; fuel card ID number; employee name; merchant address and name; type, amount, and price of fuel purchased; merchandise code; and, transaction date and time.) According to MDT personnel, they believed this put them at risk for potential fraudulent use of the fuel card. A user could potentially purchase fuel, groceries and other nonfuel or fuel-related items at nonlevel-3 merchants without any accountability. Although Comdata could restrict card usage to just level-3 merchants, MDT stated that was not acceptable as it would eliminate fueling sites at many locations throughout Montana. Because of these reasons, MDT has continued to use WEX. This issue has since been resolved and DOA personnel stated Comdata is being marketed as the primary fuel card vendor for all other state agencies.

Audit work reviewed the RFP and contracts with both vendors and determined the award process was proper and contracts were valid.

## **Fuel Card Rebates**

Both vendors receive revenues from the merchants who accept their fuel cards for transactions. The vendors do not charge the state for the fuel cards and services. The vendors also give the state rebates based on total monthly expenditures and timeliness of payment. WEX offers a rebate of 55 basis points (0.55 percent) off transactions made each month. The rebate is calculated by multiplying the rebate percentage by the total dollar amount of monthly retail transactions. There is also an early payment incentive rebate in the form of 25 basis points (0.25 percent) off all transactions for payment made each month within 10 days of the invoice date. MDT has recently started taking advantage of the early payment incentive. Under the current structure, the program

receives the basis point rebate while MDT receives the early payment incentive rebate as a credit on their next month's invoice.

Comdata offers a similar rebate of 60 basis points (0.60 percent) off all fuel and nonfuel purchases on the card at commercial locations made each month. There is also an early payment incentive of 25 basis points (0.25 percent) if agencies pay on a bi-weekly basis and 50 basis points (0.50 percent) if paid on a daily basis. However, interviews with DOA personnel found the agencies are only paying monthly and are not taking advantage of the early payment incentives. The program receives the basis rebate to help pay for the program.

## **Fuel Card Volume**

WEX issued about 5,000 cards to state agencies, with nearly 4,900 in use by the executive branch. Comdata issued about 3,500 cards to executive branch agencies, with nearly 60 percent of the cards used by the Departments of Fish, Wildlife and Parks; Justice; and Natural Resources and Conservation. Table 2 shows the distribution of cards by agency.

Table 2  
**Number of Fuel Cards Issued to Executive Branch Agencies**  
 (As of September 28, 2009)

Type of Government Body	Comdata	WEX
Administration	142	2
Agriculture	47	0
Board of Public Ed. - School for the Deaf and Blind	18	0
Commerce	8	0
Corrections	136	0
Environmental Quality	25	0
Fish, Wildlife and Parks	856	0
Governor's Office	6	0
Justice	589	0
Labor and Industry	100	0
Livestock	81	0
Military Affairs	159	0
Montana University System	607	99
Natural Resources and Conservation	556	0
Office of Public Instruction	21	0
Public Health and Human Services	102	84
Revenue	8	0
Secretary of State	3	0
State Auditor's Office	3	0
Transportation	9	4,786
<b>Total</b>	<b>3,476</b>	<b>4,960</b>

**Source: Compiled by the Legislative Audit Division from Comdata and WEX records.**

As shown, almost all state agencies use Comdata cards and MDT has the majority of WEX cards.

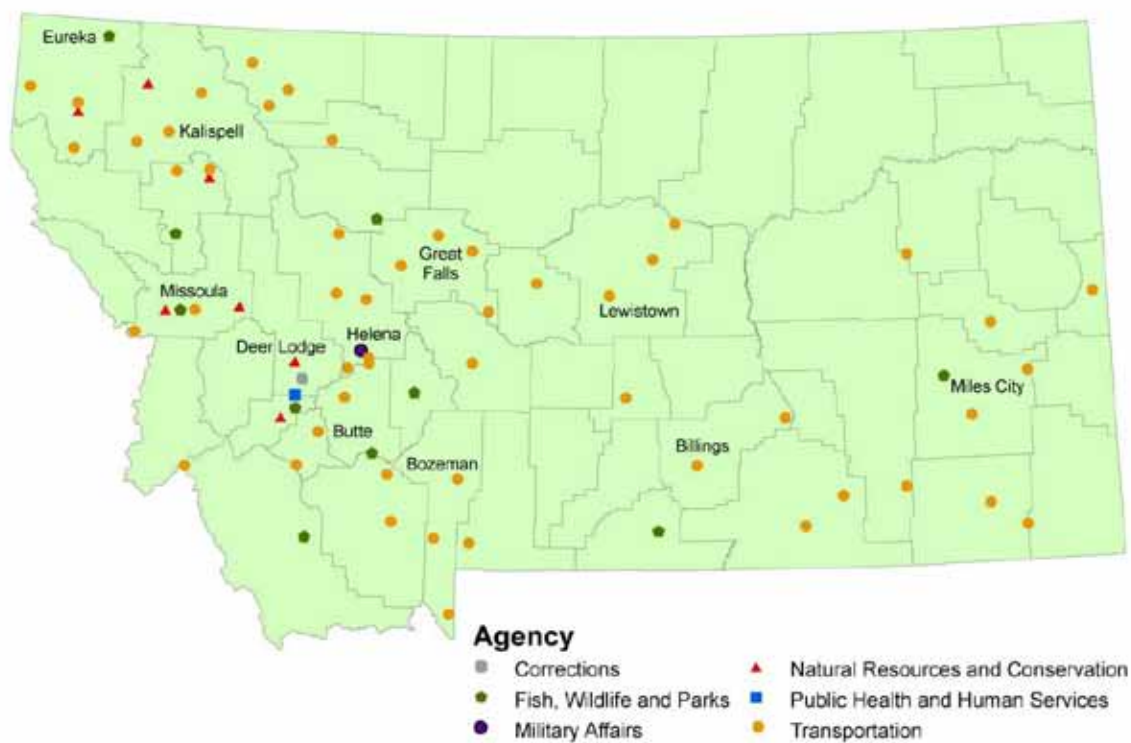
### **Fuel Card Use in MDT's Motor Pool Fleet**

MDT operates a state Motor Pool fleet which is available for use to all state agencies. The fleet consists of about 1,000 vehicles; 800 are leased on a long-term basis and 200 are rented on a daily basis. DOA issued WEX fuel cards to MDT for use in Motor Pool fleet operations. Each vehicle is assigned its own fuel card which is used to purchase fuel and some vehicle-related maintenance. All cards are assigned to MDT and transaction logs from the vendor are issued to MDT that pays the invoice for all purchases made using fuel cards assigned to the Motor Pool fleet. MDT maintains physical control of fuel cards used with daily rental vehicles while leasing agencies are responsible for physical control of fuel cards used with leased vehicles.

## **Bulk Fuel Tanks**

In addition to use of commercial fueling locations which are accessed via fuel cards, state agencies also rely on bulk fuel tanks to meet fleet fueling needs. Bulk fuel tanks are aboveground or underground fuel storage tanks that allow employees to refuel agency vehicles or equipment while in the field. These tanks are primarily located in remote areas where access to fuel service stations is not readily available. Six agencies operate their own bulk tanks which are located throughout the state. MDT and the Department of Fish, Wildlife and Parks operate the majority of bulk fuel tanks. The six agencies operate approximately 73 bulk fuel sites. The following map shows locations of bulk fuel tanks.

Figure 1  
**Bulk Fuel Tank Locations**  
(As of April 2010)



Source: Compiled by the Legislative Audit Division from DOA records.

DOA has a role in the operation of bulk fuel tanks and entered into a contract with distributors throughout the state that refuel the bulk fuel tanks. A few bulk fuel tanks also use fuel cards to control and record user access to the fuel. Bulk tanks will be discussed in Chapter V.

## **System Components Should Be Strengthened**

Overall, our review and comparison of control system components currently in use by state agencies found that controls should be strengthened. Changes are needed in order to better manage use of fuel cards and distributions from bulk fuel tanks. Stronger controls would increase accountability, provide for improved fuel management strategies, save the state money and reduce the state's exposure to potential misuse. The remaining chapters of this report discuss results of our audit with recommendations focusing on strengthening program controls.



## Chapter III – Montana Public Vehicle Fueling program

### **Introduction**

According to Government Fleet (an organization dedicated to providing resources for managing public sector vehicles and equipment), fuel is one of the largest operating expenses public sector fleets must manage; second only to depreciation. As a result, managing fuel costs is a critical component of fleet management. The Department of Administration (DOA) administers the Montana Public Vehicle Fueling Program (program). This program is located within DOA since the department is statutorily responsible for procurement. Title 18, MCA, authorizes DOA to:

- ♦ Procure or supervise the procurement of all supplies and services needed by the state
- ♦ Audit and monitor the implementation of its rules and requirements

The program serves approximately 335 individual agency accounts in Montana and approximately 465,000 gallons per month are processed through the program. In order to meet these needs, DOA entered into a contract with a fuel card vendor (Comdata) in 2006. The Comdata card is accepted at every station that accepts major credit cards. According to DOA, the majority of state agencies use this fuel card. (Wright Express, the other fuel card vendor, will be discussed in Chapter IV.) These cards are designed to be used to purchase fuel and vehicle-related maintenance for agency-owned vehicles.

One of the key components of this audit was to examine the role of DOA in administering the program; focusing on DOA's work with state agencies that participate in the fueling program. This chapter addresses the first audit objective, which was to determine if DOA established formal controls over fuel purchasing cards and if controls meet industry best practices. This chapter presents the results of audit work and provides audit recommendations needed to improve administration of the program and strengthen controls over fuel cards.

### **Components of an Effective Control System Over Fuel Cards**

Fuel cards are a commonly used component of fleet management, play an integral role in operations, and are key to managing fuel costs. Since fuel card use is widespread (over 8,400 cards issued) and thousands of state employees use the cards, a good control system is critical. There is a wide array of best management practices which industry experts advise should be considered in managing fuel cards. Both of the state's fuel card vendors offer an array of customizable controls the users can place on

their fuel cards to better align with the needs of their employees who drive vehicles for work-related duties. Such controls, which are also industry best practices, generally fall into four areas and include:

## **Card Limits**

The first component of a good control system relates to card controls which are typically made available by fuel card vendors. Available controls include:

- ♦ Limits on the number of times a fuel card can be used during a certain time period (day, month, week, etc.)
- ♦ Dollar limits per transaction or over a certain time period
- ♦ Limits on the types of Merchant Category Codes allowed on the fuel card (i.e., cannot be used at grocery stores, hotels, department stores, etc.)
- ♦ Limit the fuel card to only be used at a fuel pump (Comdata only)
- ♦ Restrict purchases to specific hours of the day or days of the week
- ♦ Assigning a unique personal identification number (PIN) to each employee who uses a fuel card
- ♦ Assigning a fuel card to a vehicle only and not to an employee
- ♦ Prompt for odometer reading at the point-of-sale
- ♦ Restrict fuel card usage to merchants that provide level-3 detail data (Comdata only)
- ♦ Limit total gallons/units per period (Wright Express only)
- ♦ Total gallons per transaction (Wright Express only)

## **Transaction Review**

The second key area of a good fuel card control system involves independent review of transactions. It is the responsibility of agencies/departments to review fuel card charges and monthly billing statements in order to reduce unnecessary and improper charges. Ideally, this review should be done by someone who has knowledge of employee travels and fuel card use. In addition, supervisory level staff should review and approve the transactions.

## **Vehicle-Use Logbook Review**

Maintaining records of vehicle and fuel card use is the third area of effective controls. Employees authorized to operate vehicles should complete a logbook form whenever the vehicles are used. This form should include the individual using the vehicle; destination, beginning and ending odometer readings; and whether fuel was purchased. At the end of each month, the supervisor or management-level staff should review the logbook and provide signature approval of the vehicle's usage. Once the form is completed,

reviewed and signed, departments should maintain the original copy and send a copy to their centralized services. The vehicle use logbook form should be compared to the fuel card transaction log.

## **Assigning Fuel Cards and Deactivating Cards**

The final area relates to assigning fuel cards. Maintaining accurate records of fuel card assignments is key. Cards should ideally be assigned to a particular vehicle or piece of equipment rather than an individual. By doing this, the fuel card always stays with the vehicle and any staff using it have unique PINs which records individual identity on transaction records. In addition, staff should periodically review assignments and card use to deactivate duplicate and inactive cards. Maintaining more cards than needed increases the risk of loss or misuse.

## **Results Overview: Current Practices Could Be Strengthened to Align With Industry Standards**

Audit results presented in this chapter are based on the review of statutes, administrative rules, MOMs, and other DOA records and documentation relating to the program. In order to test effectiveness of current controls over fuel cards, we reviewed fuel card transactions for five sampled agencies, reviewed agency records and interviewed staff. We reviewed a total of 57,866 fuel card transactions, which represents all transactions completed within our five sampled agencies in fiscal year 2009. We analyzed the data to study expenditures for trends and appropriateness. While a majority of the expenditures appeared reasonable, we did find some that raised concerns of whether or not they were appropriate. Our analysis found the following examples of such purchases:

- ◆ Purchases not related to fuel and vehicle maintenance, such as a hotel room, a convention fee, parking garage fees, and items purchased at supermarkets and grocery stores
- ◆ Active cards under the name of employees who no longer work for the state
- ◆ Purchases on holidays, weekends and nights
- ◆ Transactions in which gallons purchased greatly surpassed a vehicle's tank capacity
- ◆ Cards considered active that have not been used in some time
- ◆ Cards issued to agencies that are not assigned to a specific employee or vehicle
- ◆ Costly premium grade fuel purchases
- ◆ Diesel purchases for vehicles with gasoline engines
- ◆ Fuels not used in motor vehicles, such as kerosene, compressed natural gas and aviation fuel

Overall, our review of fuel card transactions and work conducted at the sampled agencies reveals improvements to DOA's oversight of the program are needed to strengthen controls over fuel cards, ultimately improving fuel management. We identified opportunities to improve effectiveness and efficiency in the following four areas:

- ♦ Overall policy and controls for state fuel cards
- ♦ Fuel card use with personal vehicles
- ♦ Agency knowledge of fuel card controls and best practices
- ♦ Cost-effective use of fuel cards

## **Overall Policy and Controls for State Fuel Cards**

Although the program has been operating since 1992, there is no fuel card policy in place at the state level. DOA has a detailed policy that guides the proper use of the state's procurement card (ProCard). However, without a state fuel card policy in place, we found four of the five agencies in our sample did not have a policy, and the one policy that did exist was very limited. Overall, the lack of either statewide or agency-specific policy led to many of the weaknesses we found regarding fuel card controls, use, and card management within state agencies. The following report sections discuss these system weaknesses, which fall into two general areas – (1) card controls, and (2) documentation and review of documentation.

### **Ineffective Fuel Card Controls**

Fuel card controls are a means of effectively managing fuel purchases and controlling costs. Industry recommended fuel card controls also minimize the potential for misuse. Card controls are those offered by the fuel card vendor and are essentially built into the card whenever it is used. Agency staff have the ability to further enhance vendor-offered controls by actively managing card assignments.

### **Generic PINs Attached to Some Fuel Cards**

Fuel cards require two inputs before the card can be accessed; a PIN, and the vehicle's odometer reading. Although most of the programs within our sampled agencies had unique PINs for each employee, we did find instances of generic PIN use at two agencies. Generic PINs are contrary to industry best practices. Each employee should be assigned a unique PIN for accountability.

## Transaction Dollar Limits are Much Higher Than Actual Expenditures

Fuel card vendors allow users to customize spending limits on cards to provide employers tighter oversight. Default limits set by Comdata when the state contracted with the vendor in 2006 were up to five transactions per day with a \$1,000 maximum spending limit. According to DOA personnel, agencies have the ability to change their card limits. Interviews with the staff from sampled agencies found personnel either did not know what the limits were or did not know they could change limits. Audit work found fuel card limits in 72 of 76 (95 percent) accounts have not been altered from the defaults. Only three have lowered the overall limit and one account was increased. To determine if limits are in line with actual spending patterns of the agencies, we analyzed the transactions of our sampled agencies for fiscal year 2009. We found the average transaction amount for our sampled agencies was \$35.09. Our analysis also found 83 percent of the fuel card transactions were below \$50 and only 1.6 percent over \$100. Current transaction dollar limits appear high when compared to actual spending, which increase the risks associated with fuel cards. The next table displays these findings.

Table 3  
**Comdata Transaction Amount Ranges**  
(Fiscal Year 2009)

Transaction Amount*	Total Transactions	Percent of Total
< \$25.00	24,220	41.9%
\$25.01 - \$50.00	23,606	40.8%
\$50.01 - \$100.00	9,101	15.7%
>= \$100.01	939	1.6%
<b>Totals</b>	<b>57,866</b>	<b>100%</b>

\* Default Comdata limits are up to \$1,000 and five transactions per day.

**Source: Compiled by the Legislative Audit Division from Comdata Records.**

## Allowing All Merchant Category Codes on Accounts Not in Best Interest

Merchant Category Codes (MCC) are four-digit numbers assigned to businesses by major credit card companies when a business first starts accepting these cards as a form of payment. The MCC is used to classify the business by the type of goods or services it provides. According to Comdata personnel, fuel cards, which are on a MasterCard platform, can be altered to only accept certain MCCs. Documentation from DOA

shows the state's fuel cards are set to accept 28 fuel and vehicle maintenance-related MCCs. However, our analysis found sampled agencies used a total of 23 MCCs in fiscal year 2008, eight of which were not part of the MCCs set by Comdata. Examples include MCCs assigned to hotels, grocery stores/supermarkets, and miscellaneous convenience stores/specialty markets. Additional MCCs allowed purchases not related to fleet operations and may not be in the state's best interests. Table 4 lists some of these transactions.

Table 4  
**Examples of Nonvehicle Comdata Transactions Within**  
**Sampled Agencies**  
 (Fiscal Year 2009)

Merchant City	MCC Description	Product Description	Product Cost
Las Vegas, NV	Embassy Suites	Other Misc. Trans	\$549.36
Las Vegas, NV	Prof. Services	Other Misc. Trans	\$430.00
Belgrade	Parking Lots, Garages	Other Misc. Trans	\$27.75
Helena	Grocery Stores, Supermarkets	Other Misc. Trans	\$6.94
Polson	Grocery Stores, Supermarkets	Other Misc. Trans	\$41.30
Milltown	Service Stations	Misc. Food/Groc	\$15.99
Missoula	Service Stations	Misc. Food/Groc	\$4.79
Missoula	Service Stations	Misc. Food/Groc	\$7.68
Great Falls	Service Stations	Misc. Food/Groc	\$9.98

**Source: Compiled by the Legislative Audit Division from Comdata records.**

As shown, two transactions relate to the purchase of a hotel room and veterinary conference fees in Las Vegas. Interviews with DOA revealed some accounts were set to accept all MCCs. According to DOA staff, they believe this was a clerical error on the part of Comdata. Excess MCCs allow a fuel card to be used at inappropriate merchants. MCCs and card profiles should be reviewed on a semi-annual basis.

### **Cards Assigned to Employees Instead of Vehicles**

Three agencies in our sample assigned fuel cards to employees instead of to a vehicle or piece of equipment. Overall, there are 123 cards assigned to employees. Analysis of records showed two fuel cards that were assigned to specific employees and used after the employees left employment with state government. One of these cards was used 544 days after the employee left employment.

### **Additional Vendor-Offered Card Controls Not Used**

After interviewing personnel from Comdata we found there are additional card controls agencies could use. These include custom reports that list the miles per gallon (mpg) for each vehicle and limiting the times and days the cards can be used. We found 59 instances in which the amount of fuel dispensed was 15 percent or greater than the vehicle's tank capacity (see Appendix A). Analysis also found transactions that took place during holidays, nights, and weekends. Although some of these transactions are expected, such as within the Department of Justice's Highway Patrol Division, others are unusual. Overall, analysis revealed four of the five agencies in our sample have not adjusted their card controls beyond the default limits. Customizing vendor-offered fuel card controls to best fit the operation and restrict purchases to reasonable amounts and times of day can enhance fuel card management.

### **Accurate Odometer Readings Not Always Entered**

Along with a PIN, the fuel card requires the vehicle's odometer reading to be entered before fueling can take place. We found accurate odometer readings are not regularly entered when employees use fuel cards. Based on review of a sample of records, employees at four agencies do not enter accurate odometer readings during all transactions. (We could not determine if the fifth agency enters correct odometer readings because the transaction reports they run do not include odometer readings.) Inaccurate odometer readings limit an agency's management capabilities. Without accurate odometer readings agencies do not have the ability to calculate accurate mpg ratings for the fleet vehicles, which is a good method of finding potential card misuse.

### **Active Fuel Cards Not in Use**

There were 1,396 Comdata fuel cards issued to the sampled agencies as of December 2009, and 473 (34 percent) of these active cards were not used in the first six months of fiscal year 2010. In addition, the percentage of active fuel cards not used in the first half of fiscal year 2010 within our sampled agencies varies from 13 percent to 42 percent. Analysis shows three agencies have active fuel cards that have not been used since fiscal year 2007 and all five sampled agencies have cards that have not been used since fiscal year 2008. By not reviewing and deactivating unused fuel cards, agencies are at greater risk of inappropriate fuel card use.

### **Extra Fuel Cards Exist**

When Comdata became the primary fuel card vendor for the state, agencies were sent extra cards to be used when cards are misplaced or broken. These cards are to be used in the short term until the old cards are replaced. Four of the five sampled agencies have extra cards that vary from a low of two cards to 18 cards. During fiscal year 2009, these excess cards were considered active, and there is an associated risk of these cards

being used for nonwork-related reasons. Maintaining far more cards than needed increases the risk of loss or misuse. To avoid an increased chance of card misuse, these cards should be deactivated. The apprehension of not having extra cards is mitigated as Comdata will overnight a new card to an agency at no cost in the event a card is lost, broken, or stolen.

### **Fuel Card Use With Personal Vehicles**

State law and policy address reimbursing employees for using personal vehicles to conduct state business with reimbursement being done on a per-mile basis for actual miles travelled. Under §2-18-503(1), MCA, state officers and employees “who may be entitled to mileage paid from public funds when using their own motor vehicles in the performance of official duties are entitled to collect mileage for the distance actually traveled by motor vehicle and no more unless otherwise specifically provided by law.” This section of law also establishes reimbursement amounts which are set on a per-mile basis. MOM 1-0310, addresses use of personal vehicles for state business establishes three reimbursement rates, and contains general requirements for reimbursement. Reimbursement rates set forth in state policy are on a per-mile basis and based on rates established by the Internal Revenue Service. If a personal vehicle is used for work-related duties, the employee should be reimbursed via one of these three rates.

There is the potential for employees in an agency to be reimbursed for using their personal vehicle by a means other than a per-mile basis; instead using a state-issued fuel card to fuel personal vehicles while conducting state business. Although we did not find this practice occurring within our five sampled agencies, interviews during preliminary audit work indicated this was happening.

### **Other States and Federal Agencies**

Currently, MOM does not address using state-issued fuel cards to purchase fuel for personal vehicles used for work-related duties. There is no guidance on this issue. Other states and the federal government have policies which specifically address using fuel cards to fuel personal vehicles. The states of California and Washington prohibit use of fleet fuel cards for personal vehicles. Policy states fuel card users are to purchase fuel with the fleet card for state-owned vehicles and equipment only.

### **Better Controls Needed**

Law and policy pertaining to reimbursing employees for using personal vehicles for conducting state business are designed to protect both employees and the state. It guarantees employees reimbursement of costs and provides reimbursement at a level which covers not only the cost of fuel but also provides for costs of vehicle maintenance and depreciation. It protects the state by establishing a set rate based on

miles travelled which employees must document to justify reimbursement. Overall, a policy ensures accountability and transparency. Without policy to guide actions, there are no assurances employees and the state are protected and fairly treated.

Section 2-18-503(6), MCA, requires DOA to prescribe policies necessary for the effective administration of this section. The department should adopt policy to specifically address the use of state-issued fuel cards to purchase fuel for personal vehicles which are used on state business. Clarification is needed in terms of whether the department believes this is an allowable use that conforms to state law and policy on personal vehicle reimbursement. If it is allowable, policy should provide guidance and address documentation requirements. If it is not allowable, policy should specifically prohibit it.

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#### **CONCLUSION**

*The Department of Administration does not have a policy to address state employees using state issued fuel cards to purchase fuel for personal vehicles while conducting state business.*

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### **Conclusion: Fuel Card Policy Could Strengthen Use of Fuel Card Controls**

Overall, the agencies reviewed have not made use of the fuel card controls available. This is due in part to the absence of a statewide fuel card policy. Managing fuel cards have not been at the same priority level as the state's ProCards even though DOA has a specific program dedicated to the fueling of state vehicles.

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#### **RECOMMENDATION #1**

*We recommend the Department of Administration establish a statewide fuel card policy that incorporates industry best practices.*

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## **Agency Knowledge of Fuel Card Controls Could Be Improved**

During the audit we found agency personnel responsible for administration of fuel cards generally had very limited knowledge about the controls available. We interviewed staff from each of the five sampled agencies and reviewed related documents. We found staff were unaware of many online tools available to them, such as the ability to track mpg, and reports that track purchasing exceptions by vehicle, driver, operating center, and merchant. They also were unaware they could display transaction data in easy-to-read charts and graphs. In fact, all the staff we interviewed used the website only to download monthly invoices and/or add or delete employee fuel card PINs. In addition, staff were generally unaware of specific vendor-offered purchase controls which could be placed on individual fuel cards, such as restricting the time of day fuel can be purchased or how many times a day the fuel card can be used.

We also found once a fuel card invoice is issued, review and subsequent payment by agency personnel vary widely between agencies. Some agencies require staff to submit all fuel card receipts while others do not. Some agencies require supervisors who directly oversee employees using fuel cards to sign off on the invoice while in other agencies the invoice is not routed beyond the accounting office. For example, in one agency, a division budget analyst is the only employee that receives, reviews, and approves a monthly invoice. This invoice can exceed \$78,000 per month. Current agency processes for documenting and reviewing fuel card transactions may not allow for effective monitoring.

Without adequate monitoring, agencies cannot ensure items purchased are for fuel or vehicle maintenance, services are not duplicated, purchases are cost-effective and in the state's best interests. In addition, it is difficult to protect an agency from potential fuel card misuse. Vehicle logs should be used to aid in the review process and can be used to reconcile travel and purchases with fuel card transaction data. Agencies should keep a log of vehicle, boat, and motorized equipment use to ensure a reasonable audit trail documenting vehicle/equipment use. If loss were to occur, agencies may not be able to detect the loss, identify the loss in a timely manner, or determine who was responsible.

During our review of nearly 58,000 transactions, we identified transactions that appear unusual and/or costly. Best practices require that prior to paying a fuel card invoice, the invoice and transaction data should be reviewed and approved by supervisors who have knowledge of the employee's travel.

The following table summarizes the fuel card transaction process within our five sampled agencies.

Table 5  
**Fuel Card Transaction Review Process by Sampled Agencies**

Type of Control	Transaction Review Process	Number of Agencies Identified
Receipts	Receipts not attached	4
	Receipts are not reconciled with invoice	4
Supervisory Review	Transaction data not attached to invoice	1
	Invoice is not routed to programs for review	2
	Supervisor does not approve transactions	3
Vehicle Logbook	Travel logs not attached to the invoice	5

**Source:** Compiled by the Legislative Audit Division from agency records.

As shown, the transaction review process varies widely across state agencies. Although a statewide policy would greatly aid agency personnel in the implementation of their own agency-specific practices, education could also play a key role in the agencies' ability to strengthen controls and use available vendor-offered reporting capabilities to efficiently conduct administrative work. DOA should have a larger role in educating and providing resources to agency personnel regarding the use of fuel cards and available card controls and features. Under state procurement rules, ARM 2.5.202(7), "the division (DOA's General Services Division) will provide training to agencies on purchasing in accordance with delegated responsibilities." DOA personnel stated they conducted some education seminars when Comdata initially contracted with the state in 2006. However, since this time DOA staff have conducted minimal continuing education for agency personnel responsible for administering fuel cards. Agency turnover of employees responsible for fuel card administration within the five sampled agencies may have contributed to the general lack of fuel card controls knowledge.

As discussed in Chapter II, the state receives rebates from fuel card vendors based on total fuel card expenditures and through early payment incentives. Interviews with DOA personnel found agencies are not taking advantage of the early payment option when paying the monthly Comdata invoices. By not taking advantage of this incentive the state is losing rebate dollars each year.

### **Conclusion: Continuing Fuel Card Controls Education Would Benefit State Agencies**

DOA should build upon previous training and expand current educational tools available to agency personnel. Such trainings could take place in classroom or webinar settings, include web-based PowerPoint presentations, newsletters, email reminders and tips on the DOA's vehicle fueling program website. Since DOA staff work closely with the fuel card vendors and have operated the fueling program since 1992, they can provide a valuable educational resource to state agencies using fuel purchasing cards.

**RECOMMENDATION #2**

*We recommend the Department of Administration periodically educate state agencies relative to fuel card use and controls.*

## **Fuel Card Is Not Always Used in a Cost-Effective Manner**

During the audit, we found a significant portion of fuel purchases were for premium grade fuels. We reviewed fiscal year 2009 fuel card transactions for five sampled agencies and the Department of Transportation's (MDT) Motor Pool to identify the extent of fuel purchases for regular and premium grade gasoline. The following table presents the results of our review and provides a breakdown of gasoline purchases for those agencies. It also illustrates additional dollars spent purchasing premium grade gasoline.

Table 6  
**Gasoline Fuel Card Purchases by Six Sampled Agencies\***  
(Fiscal Year 2009)

Type of Unleaded Gasoline	Gallons Purchased	Percent of Total Gallons	Per Gallon Price**	Total Costs	Potential Savings if Fuel Was Reg. Gasoline
Regular	440,479	67%	\$2.959	\$1,303,377	N/A
Mid Grade	186,896	28%	\$3.085	\$576,574	\$23,549
Premium***	33,535	5%	\$3.234	\$108,452	\$9,222
<b>Totals</b>	<b>660,910</b>	<b>100%</b>	<b>N/A</b>	<b>\$1,988,403</b>	<b>\$32,771</b>

\* Agencies include DofAg, DOC, DOJ, DOL, DNRC, and MDT's Motor Pool.

\*\* Prices as of March 16, 2010 based on AAA data.

\*\*\* Premium and super unleaded gasoline purchases were combined.

**Source: Compiled by the Legislative Audit Division from Comdata and WEX records.**

As shown, 33 percent of gasoline purchases for these five agencies and the Motor Pool were for mid-grade and premium grade gasoline. The agencies in our sample purchased over 220,400 gallons of nonregular gasoline with an estimated added cost of approximately \$32,771. Additionally, audit work revealed similar cases in which premium-grade diesel and ethanol purchases occurred. Audit work shows state employees are not always using fuel cards in the most cost-effective manner as they regularly purchase premium fuels.

Purchasing premium grade fuels is more expensive and is not always necessary per manufacturer's specifications. It is not a cost effective practice. The data presented in the previous table includes only gasoline purchases within six state agencies for one fiscal year.

Currently, there is no statewide policy or guidance that addresses the purchase of premium grade fuels. In addition, most agencies we contacted do not have policy addressing this issue. We identified only one agency with a policy that addressed premium fuel purchases. MDT issued an informal directive to MDT employees and Motor Pool agency contacts. The directive stated, "Please purchase **only low grade unleaded gasoline** or **dyed ultra low sulfur diesel fuel** or if the dyed diesel fuel is not available, you may purchase clear ultra low sulfur diesel." This aligns with directives issued by some federal agencies. Also, MDT personnel state it is their opinion all vehicles in the Motor Pool fleet can run effectively on regular, unleaded gasoline.

The federal government and other states have adopted policies addressing the purchase of premium fuels. For example, the General Services Division (GSA) mandates only regular unleaded gasoline should be purchased unless the vehicle requires an alternative fuel or the GSA Fleet Management Center approves a higher grade fuel. In addition, California, Washington and Missouri require their employees to purchase regular, unleaded gasoline. Missouri's policy does allow for purchases of premium grade fuels only if specifically required by the vehicle's manufacturer.

Since purchases of mid and premium grade fuels are so pervasive in the state's fleet, this issue should be addressed via establishing policy on allowable fuel card use. Under Title 18, MCA, DOA is statutorily responsible for developing purchasing-related policy and is in the ideal position of developing statewide policy on this issue.

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### **RECOMMENDATION #3**

*We recommend the Department of Administration establish a policy that addresses purchases of regular and premium grade fuels using fuel cards.*

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## Chapter IV – Motor Pool Fuel Purchasing Cards

### **Introduction**

The Department of Transportation (MDT) operates the state Motor Pool. All state agencies can rent or lease vehicles from the Motor Pool. In order to meet Pool fueling needs, MDT provides a fuel card with each Motor Pool vehicle. Individuals use the fuel cards at commercial fuel stations. In addition to fuel, the cards can be used to purchase vehicle-related items such as oil, tire repair, or windshield wipers. Since many different agencies and staff use these fuel cards, monitoring and controlling use of over 1,100 fuel cards assigned to Motor Pool is challenging.

Our second audit objective was to examine controls over fuel cards used in MDT's Motor Pool operations. Audit work revealed MDT has established some controls over fuel cards. These include setting more restrictive transaction limits than the default limits provided by Wright Express (WEX), requiring and receiving detailed transaction data from the fuel card vendor, reviewing all fuel card activity and eliminating duplicate cards. However, audit work also revealed controls over MDT fuel cards could be improved. This chapter presents the results of audit work and provides audit recommendations needed to further strengthen controls over Motor Pool fuel cards.

### **Results Overview: Improvements in Oversight Needed**

Audit results presented in this chapter are based on the review of MDT records and documentation, analysis of fiscal year 2009 fuel card transactions relating to Motor Pool agency-leased and daily-use vehicles, interviews with Maintenance Division and Motor Pool staff, interviews with WEX representatives, interviews and document reviews at state agencies using Motor Pool vehicles, and review of fuel card use and control systems used by other states and the federal government.

During the audit, we examined nearly 54,000 transactions that occurred during fiscal year 2009 using fuel cards assigned to the Motor Pool. We examined purchases for trends and appropriateness. While most purchases appeared to be reasonable given the nature of Motor Pool operations, we identified purchases that raised questions of whether or not they were appropriate. Our analysis showed the following examples of such purchases:

- ♦ Gallons purchased exceeded gas tank capacity
- ♦ 12 percent of daily-use Motor Pool vehicles transactions took place in the Helena area (does not include fuelings at the Motor Pool fleet lot). One would not expect to see employees using daily-use vehicles purchasing

gasoline from Helena area merchants. However, nearly 600 instances of all daily-use vehicle fuel card transactions during fiscal year 2009 occurred at local merchants.

- ♦ Diesel fuel purchases yet the Motor Pool does not have vehicles with diesel engines
- ♦ Premium fuel (high octane)
- ♦ Purchases of diesel, refrigerator fuel and off-road farming equipment fuel. Motor Pool vehicles do not use these types of fuel.

Appendix B provides a detailed listing of Motor Pool fuel card transactions on an agency basis.

The remainder of this chapter discusses four areas where we believe MDT should focus its efforts in order to strengthen controls over fuel cards used as part of Motor Pool operations. The areas addressed include:

- ♦ Motor Pool policies and procedures
- ♦ Fuel card controls
- ♦ Review of fuel card transactions
- ♦ Documentation of nonfuel purchases

## **Motor Pool Policies and Procedures**

The first area addressed relates to MDT's policies and procedures used to guide Motor Pool vehicle operations. Within MDT, two Motor Pool policies have been created; one for the agency-leased vehicles and the other for daily-use vehicles. The policy for the agency-leased vehicles is contained with the Motor Pool lease packet, which is given to the agency upon the lease of a vehicle. The policy for the daily-use vehicles is found within the logbook given to the driver when a vehicle is checked out.

## **Policies Not Up-to-Date, Inconsistent and Not Enforced**

During the audit we reviewed MDT's policies governing use of fuel cards for Motor Pool agency-leased and daily-use vehicles. We reviewed policies for completeness and to examine whether they were current. We also tested fuel card user compliance with select policies. In regard to whether Motor Pool fuel card policies are complete and current, we found situations in which Motor Pool policies are not up-to-date or contain inconsistent directions. Issues are as follows:

- ♦ Neither policy mentions the purchasing of only low-grade, unleaded gasoline even though this is now a requirement by MDT, per a letter dated November 20, 2009.

- ♦ It is unclear what types of nonfuel purchases need preauthorization from Motor Pool staff when using the fuel card associated with daily-use vehicles.
- ♦ It is not clear in department documentation whether or not the fuel cards need to be returned to Motor Pool personnel upon returning a daily-use vehicle to the lot.

Regarding the lack of policy enforcement, we found the following:

- ♦ During fiscal year 2009, the maximum cost limit for a carwash was \$8 per department policy for leased vehicles. Our analysis of WEX transactions noted numerous examples of carwashes exceeding this limit.
- ♦ Fuel card users do not consistently enter accurate odometer readings when refueling vehicles.
- ♦ Both policies state all nonfuel receipts are to be remitted to the Motor Pool (it does not state how often). As will be discussed in this chapter, this is not occurring.

According to department staff, portions of the policy pertaining to use of fuel cards for leased vehicles were last updated in early 2010. However, the policy for use of fuel cards associated with daily-use fleet vehicles, which is found in the logbook, has not been updated in years.

## **Other States Have Detailed, Enforceable Policies**

Best management practices indicate that policies relating to use of Motor Pool fuel cards should contain clear, concise procedures; be periodically updated to ensure policies are current and reflect existing requirements; and should be enforceable. The state of California developed a fleet handbook which has detailed policies and includes the following:

- ♦ State agencies are responsible for ensuring a monthly travel log is completed on all state motor vehicles. Drivers shall fill out the travel log completely.
- ♦ The official State of California fleet (fuel) card is for official state business only and can be used for the following:
  - Purchase of regular unleaded fuel, alternative fuels, fluids and lubricants. When purchasing fuel, drivers are required to purchase regular grade (unleaded) fuel only at self-service pumps
  - Emergency purchases such as wiper blades, a fan belt, a tire, in urgent situations only
  - 24-hour Emergency Roadside Service
  - Two basic (low-cost) car washes per month
  - Oil change services at Jiffy Lube
- ♦ It is the responsibility of the agencies to manage, control and monitor the use of their fleet cards and to investigate misuse.

- ♦ Unauthorized charges on fleet (fuel) cards will be charged back to the state agency. It is the state agency's responsibility to recover inappropriate charges from the driver.
- ♦ Fleet (fuel) cards shall only be used for the vehicle which they are assigned.

## **Conclusion: Motor Pool Policies Should Be Updated and Enforced**

The policies for both the Motor Pool agency-leased and daily-use vehicles should be updated and enforced in order to improve Motor Pool operations. Some of these improvements entail the following:

- ♦ Require employees to purchase only low-grade, unleaded gasoline
- ♦ Eliminate inconsistent requirements regarding the collection of receipts and the preauthorization of certain purchases in the daily-use vehicle policy
- ♦ Add a maximum dollar amount for nonfuel-related purchases before Motor Pool preauthorization is required in the daily-use vehicle policy
- ♦ Establish a maximum dollar amount for carwash purchases in the daily-use policy to be consistent with the agency-leased vehicle policy
- ♦ Enforce the preauthorization by Motor Pool personnel of nonfuel-related purchases over \$45 for agency-leased vehicles
- ♦ Enforce the maximum carwash cost amount allowed in the lease policy
- ♦ Clarifying directions regarding the returning of the fuel card found in the daily-use policy
- ♦ Enforce the entering of correct odometer readings when fueling either leased or daily-use vehicles

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### **RECOMMENDATION #4**

*We recommend the Department of Transportation adopt, clarify, and enforce the Motor Pool agency-leased and daily-use vehicle policies pertaining to fuel card use.*

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## **Fuel Card Controls**

During audit work we found MDT has worked with WEX to establish some basic controls over the use of the fuel cards assigned to the Motor Pool. Controls are a means to ensure card users adhere to policy and minimize the potential for fuel card misuse. Card controls are those that are offered by the fuel card vendor and are essentially built into the card whenever it is used. The controls currently used by MDT include:

- ♦ Maximum dollar limits per fuel and nonfuel transactions
- ♦ Maximum limit on the number of transactions per day
- ♦ Limiting transactions to fuel and vehicle services. The card cannot be used for roadside assistance program purchases, such as towing, fuel delivery and jumpstarts.

## Current Controls Not in Line With Industry Standards

Although the controls discussed in the prior paragraph are essential, we found controls currently used do not follow other industry standards or use vendor control options. Examples of these department practices include the following:

- ♦ **A generic PIN attached to all 1,100+ fuel cards.** Currently, all agency-leased and daily-use Motor Pool vehicle fuel cards are accessed via the same personal identification number (PIN). A PIN is a means of tracking who made a particular purchase. Since each fuel card is attached to a unique vehicle, a card can accept multiple PINs for all employees who need access to the vehicle. The generic PIN currently in place makes it very hard for department staff to identify which card user made a certain purchase. As a result, it is difficult for department staff to follow-up on unusual or costly purchases and to arrange for reimbursement if the purchase was not for fuel or vehicle maintenance. In addition, if a daily-use Motor Pool vehicle fuel card was lost in the field along with the vehicle log, the card could easily be used by anyone as the PIN is written inside the log.
- ♦ **Transaction dollar limits are much higher than actual expenditures.** MDT established transaction controls based on dollar limits and transaction limits. We analyzed transactions to determine if these limits were appropriate based on historical spending patterns in fiscal year 2009. The results of our analysis are presented in the following table.

Table 7  
**Motor Pool Fuel Card Transactions By Dollar-Range**  
(Fiscal Year 2009)

Fuel Transaction Range	Fuel Transactions		Nonfuel Transactions	
	Total Transactions	Percent of Transactions	Total Transactions*	Percent of Transactions
< = \$25.00	27,903	52.6%	2,406	89.7%
\$25.01 - \$50.00	20,346	38.3%	242	9.0%
\$50.01 - \$75.00	4,308	8.1%	21	0.8%
> \$75.00	553	1.0%	12	0.5%
<b>Totals*</b>	<b>53,110</b>	<b>100%</b>	<b>2,681</b>	<b>100%</b>

\* 2,022 of these transactions consisted of both fuel and nonfuel purchases.

**Source: Compiled by the Legislative Audit Division from WEX records.**

Analysis found 91 percent of fuel-related transactions were below \$50 and the average transaction amount was \$27.51. This is much lower than the \$75 maximum limit in place for fuel transactions related to light duty vehicles. For nonfuel-related purchases, which have a transaction limit of \$250, 98.8 percent of purchases were below \$50 with the average nonfuel purchases being \$10.98. Only three nonfuel-related transactions surpassed \$100.

- ♦ **Fuel purchases exceeded vehicle tank size.** During transaction analysis we found multiple cases in which the amount of fuel purchased exceeded the capacity of the vehicle's tank, including seven transactions that surpassed the tank capacity by 15 percent or more.
- ♦ **Fuel cards not routinely screened for duplicate or inactive cards.** During the course of this audit, MDT deactivated 476 duplicate fuel cards assigned to Motor Pool vehicles. However, MDT does not have provisions to periodically screen for duplicate cards. Up until December 2009, personnel had not screened for inactive cards for at least the previous 18 months. Report data generated by WEX illustrates on average, 59 percent of fuel cards were used each month during fiscal year 2009. The remaining 41 percent were not. Finally, analysis shows 225 cards (15 percent) were last used in 2008.

## Other Fleet Managers Use Stronger Controls

During discussions with the fuel card vendor, we found there are additional card controls offered by the vendor. They include both standard and customized controls, such as restricting transactions during certain timeframes and only allowing a certain number of gallons to be purchased during each transaction. Other fleet managers use the broad array of card controls made available by fuel card vendors. Vendor-offered card controls are used in conjunction with other sound management practices. Card controls currently implemented by fleet managers including the federal government, other state governments, and several other Montana state agencies better align with industry standards. These controls help ensure fleet policies are followed, purchases are appropriate and cost effective, and potential fuel card misuse is minimized.

## Conclusion: MDT Can Strengthen Use of Fuel Card Controls

Vendor-provided card controls are a key component of managing vehicle-related expenses. They include exception reports, purchase alerts and purchase controls that are based on transaction limits. MDT should adopt additional card controls to strengthen its management of fuel card purchases and control fleet expenses.

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#### **RECOMMENDATION #5**

*We recommend the Department of Transportation strengthen fuel purchasing card controls by including at a minimum:*

- A. *Unique PINs for all Motor Pool vehicle users*
  - B. *Aligning current dollar transaction limits to historical spending patterns*
  - C. *Adopting additional fuel card controls available through the card vendor*
  - D. *Establishing a schedule to regularly review and deactivate unused fuel cards*
- 

### **Review of Fuel Card Transactions**

Part of audit work included examining the process in which MDT monitors purchases made with fuel cards. This included reviewing/monitoring transactions for all fuel cards belonging to Motor Pool daily-use and agency-leased vehicles.

### **Current Review and Approval of Monthly Transactions Could Be Strengthened**

Under current transaction review process, MDT staff reviewed an average 5,100 Motor Pool transactions per month during fiscal year 2009. These transactions encompass all of Motor Pool's agency-leased and daily-use vehicles. In addition, the same staff reviews approximately 10,000 MDT Equipment Program vehicle transactions monthly. Audit work showed although staff sometimes identify odd purchases, follow-up is not done. For example, staff will search for diesel purchases for motor pool vehicles and automatically re-code them as unleaded gasoline. Staff stated they assume the diesel transactions were miscoded by the merchant and were actually gasoline purchases. It is not standard practise to follow-up with the fuel card user who made the purchase to verify. For example, we saw cases in which refrigerator fuel and off-road farming equipment fuel was purchased and follow-up did not occur. In addition, although the fuel card vendor offers automated reports and transaction summaries, staff do not review these reports as part of their transaction review process.

These transactions were made by employees in other agencies, and as a result, MDT staff do not have a strong basis of gauging if purchases were appropriate and reasonable. Ideally, supervisors of staff using Motor Pool vehicles, and subsequently the fuel cards, are in the best position to review fuel card transactions. Under the current process, agencies that use Motor Pool vehicles do not have access to fuel card transaction data pertaining to purchases made by their employees. As a result, they

cannot review transactions for appropriate use of fuel cards. Under present procedures, agency personnel simply send monthly odometer readings for leased vehicles to MDT and are charged a fee based on a flat, daily rate and per-mile fees.

Another reason the current process of reviewing fuel card transactions is inadequate is MDT does not provide vehicle logs to agencies leasing vehicles from the Motor Pool. Without agency logs, complete travel data is not gathered and agency and department personnel do not have the necessary data needed to review and compare travel records to purchases. In addition, while MDT does provide vehicle logs in the daily-use vehicles, these logs do not have a section to document whether the fuel card was used, whether it was used for nonfuel purchases, and if nonfuel transaction receipts are attached. This also impacts MDT's ability to reconcile the monthly invoice.

### **Other States Require Transaction Review at the Individual Agency Level**

According to California's State Administrative Manual, in order to effectively monitor fuel card purchases, an organization should place responsibility of transaction review on the agencies using the fuel cards and making purchases. California's fleet handbook states it is the responsibility of renting and leasing agencies to review fuel card charges and monthly invoices to reduce unnecessary and inappropriate charges. It also stated it is the responsibility of the agencies to manage, control and monitor the use of their fuel cards and to investigate misuse. This includes having the agencies receive, review and approve transaction data to ensure purchases are correct and appropriate.

MDT has already established such a practice for its fuel cards used within its Equipment program. Late last year department program supervisors started receiving, reviewing, and approving fuel card transactions. Other Montana state agencies conduct a similar review and approval process for fuel card transactions belonging to their agency-owned vehicles. For example, the Department of Agriculture sends fuel card transaction reports to program supervisors and bureau chiefs for their review and approval before the monthly invoice is paid, as these employees are in the best position to know the travel details of their employees.

Finally, vehicle logs should be used to aid in the review process. The US Department of Agriculture policy specifically states, "Agencies are required to keep a log of vehicle, boat, aircraft, and motorized equipment use to ensure a reasonable audit trail documenting vehicle/equipment use." The state of Washington's Department of Veterans Affairs also requires a vehicle log to be included in its vehicles. Data gathered includes driver name and program, dates of travel, destination, beginning and ending odometer readings, miles travelled and whether the fuel card was used.

Inappropriate purchases affect all Motor Pool fleet users. Motor Pool rates are established by compiling all vehicle expenses. If expenses include purchases not related to vehicle operations, the rates are set at a level higher than they should be.

### **Conclusion: Effective Transaction Review Needed**

Since review of fuel card transactions is such an important element of a control system, MDT should take steps to strengthen the review process. The current process could be improved by obtaining additional data from fuel card users and providing information on questionable transactions to agencies for review and follow-up. In addition, MDT should use fuel card vendor-created reports to strengthen the review process. MDT could also use spreadsheet software, such as Excel, to quickly sort volumes of data and more readily identify transaction anomalies.

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#### **RECOMMENDATION #6**

*We recommend the Department of Transportation strengthen controls for proper reconciliation of fuel card purchases.*

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### **Documentation of Nonfuel Purchases**

Under the Motor Pool agency-leased vehicle policy and per the daily-use vehicle logbooks, users are required to turn in nonfuel receipts to Motor Pool. These receipts allow Motor Pool staff to determine what items were purchased, help maintain a maintenance schedule and enter information into MDT's Equipment Vehicle Maintenance System (EVMS). Receipts also help MDT personnel seek reimbursement from agencies for nonvehicle related purchases. Part of our audit consisted of determining if Motor Pool is receiving nonfuel receipts from Motor Pool vehicle users.

### **The Department Should Have Reliable Vehicle Maintenance Information**

MDT and Motor Pool personnel need to be aware of all nonfuel fuel card transactions in order to ensure purchases are appropriate, services are not duplicated, and vehicle preventive maintenance records are accurate. As mentioned, Motor Pool policies require users to submit all receipts for nonfuel-related fuel card purchases. In addition, the vehicle lease agreement requires preauthorization from Motor Pool personnel before a nonfuel-related purchase over \$45 is allowed.

The state of North Dakota uses a similar process in which users of their State Fleet Services vehicles are required to turn in a copy of the detailed invoice and receipt of the service or repair to a local Motor Pool location.

## **Motor Pool Does Not Have Accurate Vehicle Maintenance Data**

During the audit we tested compliance with these MDT policies and reviewed a sample of 20 nonfuel transactions for fiscal year 2009 that were over \$45. Fifty percent of sampled transactions did not have any documentation indicating what was purchased or that preauthorization took place. A review of EVMS found none of these purchases were logged. Since the transaction data available to MDT via WEX does not specify what the purchase was, without receipts it is impossible for Motor Pool staff to determine what was purchased. For the ten sampled items that had receipts provided we found purchases such as:

1. Service and lube
2. Windshield wipers
3. Air filter
4. New tires and tire repair
5. Washer fluid

Analysis of Motor Pool fuel card transactions revealed there were about 2,700 nonfuel transactions totaled \$29,440 in fiscal year 2009.

## **Motor Pool Vehicle Services May Have Been Duplicated**

The following are possible consequences of MDT's inability to collect all nonfuel receipts from Motor Pool fuel card users:

- ◆ No assurance purchases were appropriate
- ◆ Potential that services were not needed or were duplicated
- ◆ MDT does not have complete vehicle maintenance and service data
- ◆ MDT's records and the EVMS are not up-to-date

Ultimately, this impacts the ability to control costs and ensure vehicles receive appropriate preventative maintenance and repairs. In addition, department staff stated this could potentially result in the voiding of a vehicle warranty if service was conducted by someone other than an authorized dealer or repair facility. Finally, when duplicate or unnecessary services are performed, Motor Pool rates for users will eventually increase to cover these costs.

## Department Is Not Enforcing the Collection of Maintenance-Related Receipts

MDT is not enforcing the collection of all nonfuel receipts for fuel card purchases made in conjunction with using agency-leased and daily-use Motor Pool vehicles. Motor Pool employees were given access to the fuel card transaction data in the spring of 2009. The WEX website gives personnel the ability to download transaction data and filter results to find certain types of purchases based on product codes. However, without the detail found on receipts, personnel cannot determine exactly what was purchased. Motor Pool personnel stated they are not actively downloading and reviewing transaction data from the website to find these nonfuel purchases and are not contacting individuals making the purchases for copies of receipts.

## Conclusion: Collection of Nonfuel Receipts Could Be Improved

Receipts for nonfuel purchases contain data necessary to track vehicle-related expenses and update service records. The department needs to take steps to improve its success in collecting these records. Steps include modifying the vehicle trip ticket to remind vehicle users to include receipts for nonfuel purchases. MDT staff should take advantage of online transaction data to identify nonfuel purchases for which no receipts were submitted. Lastly, pertinent nonfuel purchases should be input onto the department's maintenance database.

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### **RECOMMENDATION #7**

*We recommend the Department of Transportation strengthen controls over nonfuel purchases by including at a minimum:*

- A. *Updating the daily-use vehicle log trip tickets to indicate if the fuel card was used for nonfuel purchases*
  - B. *Regularly reviewing fuel card vendor transaction data to identify nonfuel purchases*
  - C. *Uploading pertinent, nonfuel purchases on a regular basis into the Equipment Vehicle Maintenance System by vehicle*
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## Chapter V – Bulk Fuel Tanks

### **Introduction**

The Department of Administration (DOA) has established a contract with fuel distributors throughout the state to provide fuel to bulk fuel tanks. Our final audit objective was to determine if the DOA established controls over physical security of bulk fuel tanks and monitoring of fuel tank transactions. Through our review of bulk fuel tanks and documentation with our sampled agencies, we were able to identify best practices which make up the components of good controls over bulk fuel tanks. Agencies should have policy in place which provides guidance and requirements associated with operating bulk fuel tanks.

### **Bulk Fuel Tank Controls**

Several state agencies own and use bulk fuel tanks in more remote locations throughout the state. Bulk tanks offer agency employees the opportunity to fuel work vehicles or other motorized equipment (such as lawnmowers, tractors, snowplows) in the field without having to refuel at a gas station, which could be miles away. Use of these tanks varies within agencies; some tanks are to be used only by the employees at that particular site while others grant access to agency employees within a certain region. Others, like the Department of Transportation's (MDT) district offices in Missoula and Kalispell, have bulk tanks that can be used by any state employee who has a Wright Express fuel card, which are attached to MDT's Motor Pool and Equipment program vehicles.

Part of the audit focused on determining if DOA has established controls over agency use of bulk fuel tanks and whether agencies adhere to those controls. In order to assess compliance, we sampled five out of six state agencies that operate bulk tanks. Sampled agencies are listed in the following table.

Table 8  
**Number of Stationary Bulk Fuel Tanks, Sampled Agencies\***  
 (As of April 2010)

Agency	Total Tank Sites	Number of Tank Sites Visited
Corrections	1	1
Fish, Wildlife and Parks	10	4
Natural Resources and Conservation	7	5
Public Health and Human Services	1	1
Transportation	54	6

\* Tanks used for fueling vehicles and motorized equipment. Does not include tanks used solely for fueling generators.

**Source: Compiled by the Legislative Audit Division from DOA records.**

We reviewed related laws, rules, and policies; conducted site visits to examine physical security and review records; and looked for the use of tank meters and tank transaction logs. The results of our review are discussed in the following sections. The following pictures highlight bulk fuel tanks and related components.

Figure 2  
**Components of Bulk Fuel Tanks**

	
Gravity-fed fuel tanks	Bulk tank controlled by circuit breaker
	
Gate blocking access to bulk tank	Circuit breaker that controls tank use
	
Bulk tank nozzle with padlock	Bulk tank meter
	
Bulk tank transaction logbook	Bulk tank with no meter and padlock

Source: Compiled by the Legislative Audit Division.

## Statewide Policies Lacking

DOA has not developed policies regarding security and controls over the use of bulk fuel tanks. In addition, sampled agencies either do not have policy in place regarding physical and monitoring controls over bulk tanks, or existing policies are minimal and lack components that could increase bulk tank security and accountability over transactions. Overall, we found only two of the five agencies sampled have developed internal policies to guide bulk tank use, accountability, and security.

## Physical Security Could Be Improved

Physical controls over bulk fuel tanks minimize the ability for employees and citizens to take fuel without authority or permission. Key components of a good system of physical security include a gated entry, use of electrical circuit breakers and padlocks on fuel pumps. Audit work showed physical security over bulk tanks are inconsistent within and among agencies. Minimal security increases the risk of inappropriate access to fuel.

The following table summarizes the results of our review of physical security controls in our sample of bulk tanks and agencies.

<p>Table 9</p> <p><b><u>Instances of Physical Controls Not Found</u></b></p> <p><b><u>at Sampled Bulk Fuel Tanks*</u></b></p>	
Physical Bulk Fuel Tank Controls	Number of Agencies Identified
Tank not inside locked gate	4
No electrical circuit breaker	2
Breaker not turned off at night	4
No padlock on pump nozzle	2
Padlock not replaced in the last year	4
Employees outside unit have padlock key	2
<p>* We reviewed a total of 17 bulk fuel tank sites within the five agencies in our sample.</p> <p><b>Source: Compiled by the Legislative Audit Division.</b></p>	

As depicted, controls over the physical security of bulk tanks vary widely among the sampled agencies and could be improved. For example, gates at the entryway of bulk tank sites to deter the public from filling their vehicles were limited. In addition, many of the tanks we visited used electrical circuit breakers that controlled power supply to the tanks. These breakers were located within locked buildings or locked breaker boxes. Although these breakers are a good control, they do not offer theft protection if left on

24 hours a day, which is what we saw on a number of occasions. Finally, a padlock that locks the pump nozzle to the tank adds an additional control that improves bulk tank security. This control increases in value if the key to the lock is changed on a regular schedule. However, we only found two cases in which the key was changed within the last 12 months.

Two agencies used gravity-fed bulk tanks, which are tanks that do not need electricity to run a pump and are therefore not controlled by a circuit breaker. Three of these tanks did not have a padlock on the nozzle.

### **Tank Meters and Transaction Log Controls Not Routinely Used**

Beyond physical security controls on bulk tanks, agencies have the ability to further strengthen accountability over bulk tank use by installing functioning meters on tanks, using tank and vehicle logbooks to document each transaction and requiring a supervisor to review and approve the tank transaction log. Meters attached to bulk tanks display two important details: a continuing odometer reading of the total gallons of fuel pumped from the tank and the total gallons pumped per transaction. A bulk tank logbook is a form found near the tank where employees fill out pertinent information about the fuel transaction. These logs help supervisors find out how much fuel is being pumped, when and by whom, and to help reconcile use when the tank needs to be refueled by a distributor. Vehicle logbooks are a means of documenting when an employee made a fuel transaction. Ideally, the vehicle logbook should contain headings such as date, destination, beginning and ending odometer readings, and a beginning and ending odometer reading for the month. This log can then be reconciled with the bulk tank logbook.

Audit work revealed tank meters and bulk tank and vehicle logs are not routinely used in all agencies. The following table summarizes results of audit work conducted within our sample.

Table 10  
**Instances of Transaction Logs and Supervisor Approval  
 Not Found at Sampled Bulk Fuel Tanks\***

Agency	Number of Agencies Identified
Tank does not have a working meter	2
Tank log does not exist	2
Tank log is not approved/signed-off	2
Vehicles do not have logs	3

\* We reviewed a total of 17 bulk fuel tank sites within the five agencies in our sample.

**Source: Compiled by the Legislative Audit Division.**

As shown in the previous table, meter use, bulk tank logbook use and supervisory review and approval, and use of vehicle logbooks vary among agencies. Audit work revealed instances in which bulk fuel tanks do not have meters, transaction logs or vehicle logbooks – which is poor control. For example, the gravity-fed bulk tanks previously discussed did not have meters and fuel transactions logs, which inhibits agency personnel from knowing if the tanks have been used. In summary, although agencies have established some controls over agency use of bulk tanks, the presence of these controls varies between and within agencies.

## Key Controls for Bulk Tanks

During our audit, we identified best management practices which some sampled agencies exhibited relative to bulk fuel tanks. These are examples of good controls that should be consistently used by all agencies and addressed in policy. They include:

- ♦ Gates or fencing limiting access to the bulk tank
- ♦ Turn off bulk tank circuit breakers during nonworking hours and, if possible, between tank transactions
- ♦ Add and regularly change a padlock to all the tank nozzles that do not have a fuel card device
- ♦ Install a dispensing meter on bulk tanks
- ♦ Create a transaction log for each bulk tank
- ♦ Have a vehicle logbook in agency-owned vehicles which is used to reconcile against transaction logs
- ♦ Check the fuel level of bulk tanks at least monthly to ensure fuel volumes match the transaction log data
- ♦ Require supervisory review and approval of the bulk tank transaction log on a monthly basis and provide the approved log to district or agency headquarters to ensure the fuel use is documented in the fleet management system

## Conclusion: Bulk Tank Policy Needed

Results of our audit work demonstrate the need for a statewide policy addressing controls over bulk fuel tank access and use. Such a policy could assist agencies in strengthening controls over bulk fuel tanks, ultimately improving accountability.

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### **RECOMMENDATION #8**

*We recommend the Department of Administration strengthen controls over bulk fuel tank access and use by establishing policy including at minimum:*

- A. *Limit after hour access by turning off bulk fuel tank circuit breakers and/or adding a padlock to tank pumps that do not use a fuel card device.*
  - B. *Install a dispensing meter on bulk fuel tanks.*
  - C. *The maintaining of records including a transaction log for each bulk fuel tank and a separate log in equipment that is fueled from bulk tanks.*
  - D. *Check the fuel level of bulk fuel tanks at least monthly to ensure fuel volume matches the transaction log.*
  - E. *Need for supervisory review and approval of bulk tank transaction logs on a monthly basis and provide the approved log to appropriate agency staff to ensure fuel use is documented in the state's fleet management system.*
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# Appendix A

## Gallons Purchased Compared to Vehicle Tank Size for Agency-Owned Vehicles in Sample\* (Fiscal Year 2009)

Vehicle Description	Transaction Date	Product Description	Typical Tank Capacity	Gallons Purchased	% Over Tank Capacity**
08 Chevy Impala	4/24/09	Unleaded Regular	17	40.8	240%
08 Chevy Impala	8/14/08	Unleaded Regular	17	30.5	179%
08 Chevy Impala	3/20/09	Diesel	17	29.6	174%
04 Chevy Impala	5/27/09	Unleaded Regular	17	28.6	168%
92 Ford Taurus	1/26/09	Unleaded Mid	16	25.5	160%
92 Ford Taurus	12/31/08	Gasohol	16	25.5	159%
05 Ford Crown Vic	3/16/09	Unleaded Regular	19	29.9	157%
92 Ford Taurus	1/28/09	Unleaded Mid	16	25.1	157%
92 Ford Taurus	4/20/09	Unleaded Regular	16	24.1	151%
92 Ford Taurus	11/12/08	Ethanol Unleaded	16	24.0	150%
92 Ford Taurus	1/7/09	Gasohol	16	23.9	149%
92 Ford Taurus	11/28/08	Unleaded Mid	16	23.8	149%
92 Ford Taurus	1/27/09	Unleaded Mid	16	23.6	148%
92 Ford Taurus	1/6/09	Unleaded Mid	16	23.5	147%
92 Ford Taurus	1/16/09	Fuel Adjustment	16	23.4	146%
92 Ford Taurus	4/9/09	Unleaded Regular	16	23.1	144%
92 Ford Taurus	2/17/09	Unleaded Mid	16	22.8	143%
92 Ford Taurus	1/8/09	Unleaded Mid	16	22.8	143%
92 Ford Taurus	10/22/08	Unleaded Mid	16	22.8	142%
92 Ford Taurus	11/13/08	Ethanol Unleaded	16	22.5	141%
92 Ford Taurus	2/25/09	Unleaded Mid	16	22.4	140%
92 Ford Taurus	10/31/08	Unleaded Mid	16	22.3	140%
92 Ford Taurus	7/15/08	Unleaded Mid	16	22.3	139%
92 Ford Taurus	1/5/09	Unleaded Mid	16	22.2	139%
92 Ford Taurus	2/25/09	Unleaded Mid	16	21.7	136%
98 Chevy Lumina	11/28/08	Unleaded Mid	16.6	22.5	136%
92 Ford Taurus	11/5/08	Unleaded Premium	16	21.3	133%
92 Ford Taurus	3/26/09	Unleaded Regular	16	21.1	132%
92 Ford Taurus	11/5/08	Ethanol Unleaded	16	21.0	132%
92 Ford Taurus	5/31/09	Unleaded Regular	16	21.0	132%
92 Ford Taurus	7/16/08	Unleaded Mid	16	20.9	131%
92 Ford Taurus	7/25/08	Unleaded Mid	16	20.7	129%
92 Ford Taurus	6/15/09	Unleaded Mid	16	20.6	129%
92 Ford Taurus	10/3/08	Unleaded Mid	16	20.6	129%
92 Ford Taurus	12/23/08	Unleaded Mid	16	20.6	129%
92 Ford Taurus	10/31/08	Ethanol Unleaded	16	20.2	126%
92 Ford Taurus	12/5/08	Unleaded Premium	16	20.2	126%
92 Ford Taurus	7/18/08	Unleaded Mid	16	19.8	124%
92 Ford Taurus	8/5/08	Unleaded Mid	16	19.7	123%
07 Ford Crown Vic	1/1/09	Unleaded Premium	19	23.2	122%
92 Ford Taurus	7/25/08	Ethanol Unleaded	16	19.5	122%
92 Ford Taurus	9/9/08	Gasohol	16	19.5	122%
98 Chevy Lumina	8/22/08	Unleaded Regular	16.6	20.2	122%
92 Ford Taurus	12/7/08	Ethanol Unleaded	16	19.2	120%
92 Ford Taurus	1/23/09	Unleaded Mid	16	19.2	120%
92 Ford Taurus	3/25/09	Unleaded Regular	16	19.2	120%
92 Ford Taurus	1/30/09	Gasohol	16	19.0	119%
98 Chevy Lumina	9/19/08	Unleaded Mid	16.6	19.6	118%
08 Chevy Impala	2/13/09	Fuel Adjustment	17	20.1	118%
92 Ford Taurus	12/22/08	Unleaded Premium	16	18.8	118%
07 Chevy Impala	11/3/08	Regular Leaded	17	19.9	117%
92 Ford Taurus	11/26/08	Unleaded Mid	16	18.7	117%
92 Ford Taurus	12/8/08	Unleaded Mid	16	18.6	116%
92 Ford Taurus	5/13/09	Unleaded Regular	16	18.6	116%
92 Ford Taurus	12/8/08	Unleaded Mid	16	18.5	116%
92 Ford Taurus	6/16/09	Unleaded Mid	16	18.5	115%
92 Ford Taurus	8/26/08	Ethanol Unleaded	16	18.5	115%
98 Chevy Lumina	4/15/09	Unleaded Regular	16.6	19.1	115%
08 Ford Crown Vic	6/4/09	Unleaded Regular	19	21.8	115%

\* Analysis did not include trucks, vans, nondescriptive vehicle descriptions and vehicles older than 1990. In all, 30,877 transactions were reviewed.

\*\* Only contains those transactions in which fuel purchased was greater than 115 percent of full tank capacity.

**Source: Compiled by the Legislative Audit Division from Comdata records.**

## Appendix B

**Motor Pool Fuel Card Transactions for Agency-Leased and Daily-Use Vehicles**  
(Fiscal Year 2009)

Agency	Overall Statistics		Fuel Transactions			Nonfuel Transactions		
	Total Transactions	Avg. Total Transaction Amount	Total Fuel Transactions	Average Fuel Transaction	Maximum Fuel Transaction	Total Nonfuel Transactions	Average Nonfuel Transaction	Maximum Nonfuel Transactions
Administration	369	\$29.42	369	\$29.42	\$91.15	-	\$0.00	\$0.00
Corrections	9,489	\$26.27	9,336	\$25.91	\$108.91	730	\$10.10	\$148.95
Environmental Quality	2,402	\$28.10	2,395	\$27.98	\$121.39	53	\$9.11	\$52.06
Fish, Wildlife and Parks	494	\$24.16	493	\$24.14	\$82.33	5	\$7.00	\$8.00
Governor's Office	105	\$30.36	104	\$29.53	\$74.29	10	\$11.60	\$42.99
Judicial Branch	816	\$27.67	811	\$27.34	\$85.27	48	\$8.40	\$40.61
Justice	2,086	\$28.66	2,061	\$28.28	\$106.22	156	\$9.61	\$79.99
Labor and Industry	3,637	\$26.21	3,557	\$26.11	\$93.40	228	\$10.77	\$53.56
Library Commission	254	\$24.04	254	\$24.04	\$68.18	-	\$0.00	\$0.00
Livestock	1,163	\$29.34	1,143	\$29.41	\$90.06	64	\$7.98	\$29.95
Military Affairs	543	\$23.28	539	\$23.16	\$76.33	22	\$7.09	\$9.00
Natural Resources and Conservation	4,233	\$35.15	4,195	\$34.72	\$124.73	151	\$20.87	\$792.00
Public Defender	1,394	\$28.02	1,389	\$27.91	\$75.00	43	\$6.84	\$10.00
Public Health and Human Services	10,756	\$25.42	10,625	\$25.23	\$105.28	527	\$10.24	\$91.98
Public Instruction	82	\$29.12	82	\$29.00	\$61.78	1	\$9.23	\$9.23
Public Service Commission	194	\$37.97	184	\$36.75	\$95.45	71	\$8.52	\$31.95
Revenue	4,977	\$29.39	4,851	\$29.20	\$103.44	372	\$12.45	\$61.75
School for the Deaf and Blind	866	\$28.01	855	\$27.63	\$118.50	69	\$9.14	\$37.95
Transportation	611	\$30.19	611	\$30.11	\$81.75	6	\$8.50	\$10.00
Motor Pool	8,481	\$27.37	8,455	\$27.28	\$110.84	115	\$12.19	\$86.40
Motor Pool - Temp Lease	809	\$30.69	801	\$30.70	\$81.11	10	\$23.64	\$55.34
	<b>53,761</b>	<b>\$27.72</b>	<b>53,110</b>	<b>\$27.51</b>	<b>\$124.73</b>	<b>2,681</b>	<b>\$10.98</b>	<b>\$792.00</b>

Source: Compiled by the Legislative Audit Division from WEX records.

DEPARTMENT RESPONSES

DEPARTMENT OF  
ADMINISTRATION

DEPARTMENT OF  
TRANSPORTATION





June 7, 2010

Ms. Tori Hunthausen, CPA  
Legislative Auditor  
Legislative Audit Division  
PO Box 201705  
Helena, MT 59620-1705

RECEIVED

JUN 08 2010

LEGISLATIVE AUDIT DIV.

RE: Performance Audit #10P-02: Montana Public Vehicle Fueling Program

Dear Ms. Hunthausen:

The Department of Administration and the Department of Transportation have reviewed Performance Audit #10P-02: Montana Public Vehicle Fueling Program. Our responses to the recommendations are below.

**Recommendation #1**

We recommend the Department of Administration establish a statewide fuel card policy that incorporates industry best practices.

**Response:** Concur. The Department of Administration will establish a statewide fuel card policy that incorporates industry best practices.

**Recommendation #2**

We recommend the Department of Administration periodically educate state agencies relative to fuel card use and controls.

**Response:** Concur. The Department of Administration will educate state agencies about fuel card use and controls by hosting agency meetings at least twice a year and developing a current user email list.

**Recommendation #3**

We recommend the Department of Administration establish a policy that addresses purchases of regular and premium grade fuels using fuel cards.

**Response:** Concur. The Department of Administration will include purchases of regular and premium grade fuels using fuel cards in the policy referenced in Recommendation #1.

**Recommendation #4**

We recommend the Department of Transportation adopt, clarify, and enforce the Motor Pool agency-leased and daily-use vehicle policies pertaining to fuel card use.

**Response:** Concur. The Department of Transportation, Motor Pool will adopt, clarify and enforce the daily use and leased vehicle policies for fuel cards.

**Recommendation #5**

We recommend the Department of Transportation strengthen fuel purchasing card controls by including at a minimum:

A. Unique PINs for all Motor Pool vehicle users.

**Response:** Concur. The Department of Transportation agrees with the intent of this recommendation. The department will assign unique PIN's to all Motor Pool vehicles.

B. Aligning current dollar transaction limits to historical spending patterns.

**Response:** Concur. The Department of Transportation is currently researching a different set of controls for the fuel cards. The department will assess the transactions limits at the time the new controls are set and will review those limits monthly. The department will set fuel card transaction limits at a level that allows users to fuel statewide and still maintain control over transaction amounts.

C. Adopting additional fuel card controls available through the card vendor.

**Response:** Concur. The Department of Transportation is currently researching different card controls and developing a plan that will best put controls on the fuel cards and will serve the Motor Pool vehicle users.

D. Establishing a schedule to regularly review and deactivate unused fuel cards.

**Response:** Concur. The Department of Transportation is currently reviewing and deactivating duplicate fuel cards monthly. The department is reviewing unused fuel cards and will deactivate, if necessary.

#### **Recommendation #6**

We recommend the Department of Transportation strengthen controls for proper reconciliation of fuel card purchases.

**Response:** Concur. The Department of Transportation has implemented a user review of fuel card transactions. Starting in April 2010, the department began sending monthly fuel transactions to agency Motor Pool contacts for review. The fuel transactions are to be sent to managers within each agency who have Motor Pool leased vehicles. The contacts then respond to the Motor Pool that the information has been reviewed or with any unusual transactions that need further review.

#### **Recommendation #7**

We recommend the Department of Transportation strengthen controls over nonfuel purchases by including at a minimum:

A. Updating the daily-use vehicle log trip tickets to indicate if the fuel card was used for nonfuel purchases.

**Response:** Concur. The Department of Transportation will include reminders on the front of the daily log book to remind users to include receipts for nonfuel purchases.

B. Regularly reviewing fuel card vendor transaction data to identify nonfuel purchases.

**Response:** Concur. The Department of Transportation will review nonfuel transactions monthly and require receipts for all nonfuel transaction beginning July 1, 2010. The receipts will be reconciled with the WEX fuel card system to ensure all transactions are appropriate and accounted for.

C. Uploading pertinent, nonfuel purchases on a regular basis into the Equipment Vehicle Maintenance System by vehicle.

will ensure repair and maintenance vehicle information from nonfuel receipts are entered into EVMS by vehicle.

**Recommendation #8**

We recommend the Department of Administration strengthen controls over bulk fuel tank access and use by establishing policy including at a minimum:

- A. Limit after hour access by turning off bulk fuel tank circuit breakers and/or adding a padlock to tank pumps that do not use a fuel card device.
- B. Install a dispensing meter on bulk fuel tanks.
- C. The maintaining of records including a transaction log for each bulk fuel tank and a separate log in equipment that is fueled from bulk tanks.
- D. Check the fuel level of bulk fuel tanks at least monthly to ensure fuel volume matches the transaction log.
- E. Need for supervisory review and approval of bulk tank transaction logs on a monthly basis and provide the approved log to appropriate agency staff to ensure fuel use is documented in the state's fleet management system.

**Response:** Concur. The Department of Administration will include internal control requirements in the Statewide Fuel policy discussed in Recommendation #1 and #3 above.

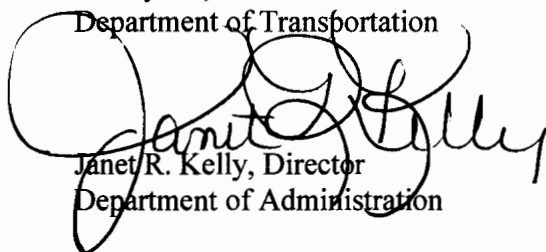
The Department of Administration and the Department of Transportation thank you and your staff for their hard work and careful examination during this audit.

The Corrective Action Plan (CAP) is enclosed.

Sincerely,



Jim Lynch, Director  
Department of Transportation



Janet R. Kelly, Director  
Department of Administration

Enclosure

**Preliminary Response**  
**Corrective Action Plan (CAP): Audit Report #10P-02**  
**Montana Public Vehicle Fueling Program**  
**Department of Administration**  
**Department of Transportation**  
**June 7, 2010**

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
61010 DOA	<b>Recommendation #1</b> We recommend the Department of Administration establish a statewide fuel card policy that incorporates industry best practices.	No		Concur	The Department of Administration will establish a statewide fuel card policy that incorporates industry best practices.	Tracy Oulman Devin Garrity Brad Sanders	9/1/2010
61010 DOA	<b>Recommendation #2</b> We recommend the Department of Administration periodically educate state agencies relative to fuel card use and controls.	No		Concur	The Department of Administration will educate state agencies about fuel card use and controls by hosting agency meetings at least twice a year and developing a current user email list.	Devin Garrity	8/17/2010
61010 DOA	<b>Recommendation #3</b> We recommend the Department of Administration establish a policy that addresses purchases of regular and premium grade fuels using fuel cards.	No		Concur	The Department of Administration will include purchases of regular and premium grade fuels using fuel cards in the policy referenced in Recommendation #1.	Tracy Oulman Devin Garrity Brad Sanders	9/1/2010
54010 MDT	<b>Recommendation #4</b> We recommend the Department of Transportation adopt, clarify, and enforce the Motor Pool agency-leased and daily-use vehicle policies pertaining to fuel card use.	No		Concur	The Department of Transportation, Motor Pool will adopt, clarify and enforce the daily use and leased vehicle policies for fuel cards.	Jeff Gleason	9/1/2010



Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
54010 MDT	<b>Recommendation #6</b> We recommend the Department of Transportation strengthen controls for proper reconciliation of fuel card purchases.			Concur	The Department of Transportation has implemented a user review of fuel card transactions. Starting in April 2010, the department began sending monthly fuel transactions to agency Motor Pool contacts for review. The fuel transactions are to be sent to managers within each agency who have Motor Pool leased vehicles. The contacts then respond to the Motor Pool that the information has been reviewed or with any unusual transactions that need further review.	Jeff Gleason	4/1/2010
54010 MDT	<b>Recommendation #7</b> We recommend the Department of Transportation strengthen controls over nonfuel purchases by including at a minimum:  <b>A.</b> Updating the daily-use vehicle log trip tickets to indicate if the fuel card was used for nonfuel purchases.  <b>B.</b> Regularly reviewing fuel card vendor transaction data to identify nonfuel purchases.  <b>C.</b> Uploading pertinent, nonfuel purchases on a regular basis into the Equipment Vehicle Maintenance System by vehicle.			Concur  Concur  Concur	<b>A.</b> The Department of Transportation will include reminders on the front of the daily log book to remind users to include receipts for nonfuel purchases.  <b>B.</b> The Department of Transportation will review nonfuel transactions monthly and require receipts for all nonfuel transaction beginning July 1, 2010. The receipts will be reconciled with the WEX fuel card system to ensure all transactions are appropriate and accounted for.  <b>C.</b> All nonfuel purchases are currently uploaded into the Department of Transportation's Equipment	Jeff Gleason	7/1/2010

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP -- Corrective Action Plan	Person responsible for CAP	Target Date
					Vehicle Management System (EVMS). Procedures established in #7B will ensure repair and maintenance vehicle information from nonfuel receipts are entered into EVMS by vehicle.		
61010 DOA	<b>Recommendation #8</b> We recommend the Department of Administration strengthen controls over bulk fuel tank access and use by establishing policy including at a minimum:  <b>A.</b> Limit after hour access by turning off bulk fuel tank circuit breakers and/or adding a padlock to tank pumps that do not use a fuel card device.  <b>B.</b> Install a dispensing meter on bulk fuel tanks.  <b>C.</b> The maintaining of records including a transaction log for each bulk fuel tank and a separate log in equipment that is fueled from bulk tanks.  <b>D.</b> Check the fuel level of bulk fuel tanks at least monthly to ensure fuel volume matches the transaction log.  <b>E.</b> Need for supervisory review and approval of bulk tank transaction logs on a monthly basis and provide the approved log to appropriate agency staff to ensure			Concur	The Department of Administration will include internal control requirements in the Statewide Fuel policy discussed in Recommendation #1 and #3 above.	Tracy Oulman Devin Garrity Brad Sanders	9/1/2010

Agency	Recommendation #	Does this affect a federal program?	CFDA # (if previous YES)	Management View	CAP – Corrective Action Plan	Person responsible for CAP	Target Date
	fuel use is documented in the state's fleet management system.						